



# INDUSTRY CIRCULAR

DEPARTMENT OF  
THE TREASURY

Bureau of Alcohol, Tobacco and Firearms

Washington, D.C. 20226

Number: 79-1

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## PHYSICAL INVENTORIES

Proprietors of distilled spirits plants and others concerned:

Purpose. Some industry members have inquired whether physical inventories are required in support of tentative operational loss claims and what adjustments to records are intended by Revenue Ruling 68-219.

A physical inventory is required by 27 CFR 201.492 for all claims for operational losses, whether tentative or final. This section requires an inventory for any period for which a claim is submitted under 27 CFR 201.45(d). The latter section applies to any claim filed for operational loss.

We are presently amending the regulations to clarify the fact that a physical inventory is required to support any such claim.

On the question of adjustment to records, inventories taken for purpose of operational loss claims are not synonymous with the controlled stock inventories, which are taken for a different purpose and which include finished goods. However, whenever physical inventories of bulk goods are taken for operational loss claims the resultant adjustments must be posted to individual transaction records and summaries, and the overall gains or losses from the bulk controlled stock (but not noncontrolled stock) must additionally be recorded pursuant to 27 CFR 170.61(b)(4).

Inquiries. Inquiries concerning this circular should refer to its number and be addressed to your regional regulatory administrator.

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